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November 12, 2004

Mary L. Cottrell, Secretary  
Department of Telecommunication and Energy  
One South Station, 2<sup>nd</sup> Floor  
Boston, MA 02202

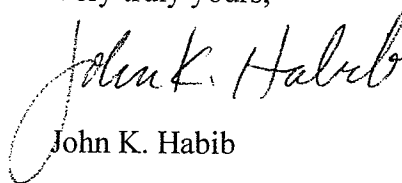
Re: D.T.E. 04-85 — Petition of Boston Edison Company and Commonwealth Electric Company for Approvals Relating to the Restructuring of Power Purchase Agreements with Northeast Energy Associates Limited Partnership

Dear Secretary Cottrell:

Enclosed please find the responses of Boston Edison Company and Commonwealth Electric Company d/b/a NSTAR Electric (the "Companies") to discovery questions asked by the Attorney General and the Department of Telecommunications and Energy in the above-referenced proceeding, as listed on the following Discovery Log. Please note that certain documents that are responsive to these questions are confidential and are being filed under separate cover with the Attorney General and the Hearing Officer only.

Thank you for your attention to this matter.

Very truly yours,



John K. Habib

Enclosures

cc: Service List  
Joan Foster Evans, Hearing Officer (2)  
Colleen McConnell, Assistant Attorney General (2)

# LOG OF RESPONSES FILED

D.T.E. 04-85

November 12, 2004 (Second Filing)

AG-1-1	Filed November 8	Attachment AG-1-1 (a) Attachment AG-1-1 (b) Attachment AG-1-1 (c) Attachment AG-1-1 (d) Attachment AG-1-1 (e)
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AG-1-11	Filed November 8 (First Filing)	Attachment AG 1-11
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Information Request AG-3-14

Please explain if subparagraph (g) of the definition of "Closing Date Amount" on page 5 of the Execution Agreement is limited to amounts actually paid by the Utilities to NEA under the Power Purchase Agreements for the energy deliveries during the interim period. Alternatively, please explain if the intent is to include all payments received during the month regardless of the service period to which the payment applies.

Response

The amounts eligible for credit under subparagraph (g) of the definition of "Closing Date Amount" are limited to the amounts payable under the Existing PPAs during the Interim Period for service and products received during the Interim Period.

Information Request AG-3-25

Please provide an explanation of the operation of Section 5.5 of the Execution Agreement and provide examples of its operation using varying Adjusted Bid Price Amounts which would trigger the elections available to the Parties.

Response

There are distinct ranges for which the different provisions of Article 5.5 of the Bellingham Execution Agreement would be applicable.

In the case where the Adjusted Bid Price Amount (as calculated according to Schedule 1.5 of the Bellingham Execution Agreement) is in the range of between negative \$27,566,453 and positive \$2,433,547, then 5.5(b)(ii) applies and both parties will be obligated to close.

Should the Adjusted Bid Price Amount (as calculated according to Schedule 1.5 of the Bellingham Execution Agreement) be exactly equal to zero, then Article 5.5(b)(iv) applies and both parties will be obligated to close.

For the case where the Adjusted Bid Price Amount (as calculated according to Schedule 1.5 of the Bellingham Execution Agreement) is greater than a positive \$2,433,547, an amount which exceeds the maximum allowed variance of \$15,000,000 from the Initial Bid Price Amount of -\$12,566,453, then Article 5.5(b)(iii) applies and two options are presented: (1) NEA may elect to forgo the amounts above \$2,433,547 and both parties will be obligated to close; or (2) NSTAR Electric may elect to waive the \$15,000,000 limit on variance and both parties will be obligated to close. As an alternative, in the case where the Adjusted Bid Price Amount (as calculated according to Schedule 1.5 of the Bellingham Execution Agreement) is greater than a positive \$2,433,547, and neither party agrees to exercise its rights under Article 5.5(b)(iii), then Article 5.5(b)(vi) applies and the Adjusted Bid Price Amount will be calculated each business day, and the Closing Date will be delayed until such time that either: (1) the Deadline is reached, or (2) Article 5.5(b)(ii) becomes applicable.

For the case where the Adjusted Bid Price Amount (as calculated according to Schedule 1.5 of the Bellingham Execution Agreement) is less than a negative \$27,566,453, an amount which exceeds the maximum allowed variance of \$15,000,000 from the Initial Bid Price Amount of -\$12,566,453, then Article 5.5(b)(i) applies and two options are presented: (1) NSTAR Electric may elect to forgo the amounts below -\$27,566,453 and both parties will be obligated to close; or (2) NEA may elect to waive the \$15,000,000

limit on variance and both parties will be obligated to close. As an alternative, in the case where the Adjusted Bid Price Amount (as calculated according to Schedule 1.5 of the Bellingham Execution Agreement) is less than a negative \$27,566,453, and neither party agrees to exercise its rights under Article 5.5(b)(i), then Article 5.5(b)(v) applies and the Adjusted Bid Price Amount will be calculated each business day, and the Closing Date will be delayed until such time that either: (1) the Deadline is reached, or (2) Article 5.5(b)(ii) becomes applicable.

The matrix below gives specific examples:

Adjusted Bid Price Amount	< (\$27,566,453)	> \$2,433,547	Applicable Article	Option	Results
\$0.00	no	no	5.5(b)(iv)	none	Close
\$8,000,000	no	yes	5.5(b)(iii)	NEA waives Adjusted Bid Price Amount that exceeds Cap	Close
				Company pays full Adjusted Bid Price Amount	Close
				neither	5.5(b)(vi)
			5.5(b)(vi)	Adjusted Bid Price Amount is recalculated daily until 5.5(b)(ii) is applicable	Close
				Deadline is reached	No Closing
(\$10,000,000)	no	no	5.5(b)(ii)	none	Close
(\$30,000,000)	yes	no	5.5(b)(i)	Company waives Adjusted Bid Price Amount that exceeds Cap	Close
				NEA pays full Adjusted Bid Price Amount	Close
				neither	5.5(b)(v)
			5.5(b)(v)	Adjusted Bid Price Amount is recalculated daily until 5.5(b)(ii) is applicable	Close
				Deadline is reached	No Closing

Information Request AG-3-27 (A)

How will the balances in the Energy Banks be reflected in the Company's retail rates during the term of the restructured and amended NEA contracts? Provide the estimated balance at December 31, 2004 for each existing contract and the payout of that balance to customers. Include all supporting documentation, workpapers.

Response

The Energy Bank provisions of the Existing NEA-A PPA do not affect the retail rates of Boston Edison. The provision was designed to ensure continued performance by NEA under the agreement and, as such, the only circumstance under which NEA would forfeit the balance in the energy bank would be under a breach or termination of the existing PPA.

Information Request AG-3-32

Please explain how the capacity value of Bellingham is accounted for under the provisions of the proposed agreements.

Response

Under the NEA Restructuring, the total contract costs were divided into two categories: Market Value of Products (energy and capacity) and Support Payments. Article 4.1(b) of each Amended and Restated PPA (Petition, Appendix A at Bates pages 40 to 41, 176 to 177, 287 to 288, and 368 to 369) describe how the actual market value of Capacity will be determined in each month of the Term. By directly linking the price paid by NSTAR Electric to NEA for the Capacity to the actual market value and the NSTAR Electric's ability to resell such Capacity, the risk of stranded costs associated with Capacity is eliminated.

Information Request AG-3-33

Please explain how "UCAP" transactions affect the capacity value of Bellingham as discussed in the response to the previous request.

Response

Capacity is defined in the four Amended and Rested PPAs as "Unforced Capacity" or "UCAP" (Petition, Appendix A at Bates pages 29, 165, 276, and 357). As discussed in the response to Information Request AG-3-32, the Capacity Price paid under the Amended and Restated PPAs will be directly linked to the actual market value of Capacity, and thus will reflect any public UCAP transactions.

Information Request AG-3-34

Please explain how the ISO-NE's proposed LICAP market will affect the value of Bellingham unit's capacity as discussed in response to the second previous request.

Response

Capacity is defined in the four Amended and Rested PPAs as "Unforced Capacity" or any successor product thereto (Petition, Appendix A at Bates pages 29, 165, 276, and 357). As discussed in the response to Information Request AG-3-32, the Capacity Price paid under the Amended and Restated PPAs will be directly linked to the actual market value of Capacity, and thus will reflect any changes in value associated with the implementation of LICAP.

Information Request DTE-1-3

Refer to Exh. NSTAR-GOL at 22. Please explain why the Companies used December 2, 2003, as the closing date for calculating the total energy cost.

Response

As described in Exhibit NSTAR-GOL at 18, the Adjusted Bid Price Amount is intended to "reflect changes in the wholesale market prices between the time that the NEA bid was submitted and the actual closing date." The date of NEA's bid was December 3, 2003 and, as required by Schedule 1, the NYMEX strip for the previous business day is used for the calculation. As such, the Bid Date On Peak Energy Cost is based on the December 2, 2003 NYMEX Henry Hub Strip.

Information Request DTE-1-8

Refer to Exh. NSTAR-RBH at 18, lines 14-16. Please explain how NEA was involved in the auction process. Provide copies of all communication between CEA, NSTAR and NEA relating to the auction and the termination of the NEA contracts.

Response

NEA, (through FPL Energy Power Marketing, an affiliate of its general partner), was among the approximately 90 parties that received the Early Interest Letter during fall of 2003 (please see Exhibit NSTAR-RBH, page 10 lines 16-20), and among the 25 bidders that executed the Confidentiality Agreement (Exhibit NSTAR-RBH, page 14, lines 5-9). Please see the response Information Request AG-1-2 **CONFIDENTIAL** for copies of the NEA bids, and Attachment DTE-1-8 **CONFIDENTIAL BULK** for a copy of the initial set of communications among CEA, NSTAR and NEA that have been compiled by the Company. The Company will supplement this response with additional communications that are currently being compiled by the Company, likely on Monday, November 15, 2004.